

Message Text

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ACTION EUR-12

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TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 STR-04

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: XCSS JULY 18: REPORT OF HIGH LEVEL GROUP ON
COMMODITIES (HLGC)

FOLLOWING IS TEXT OF REPORT OF CHAIRMAN OF HLGC WHICH
HAS BEEN CIRCULATED AS CE(75)11 FOR CONSIDERATION IN
CONNECTION WITH ITEM 3 OF AGENDA FOR JULY 18 MEETING OF
XCSS.

BEGIN TEXT:

1. THE GROUP WHICH WAS ESTABLISHED BY THE COUNCIL UNDER
GUIDANCE OF THE EXECUTIVE COMMITTEE IN SPECIAL SESSION,
WITH A MANDATE TO FOLLOW UP THE CONCLUSIONS RELATING TO
COMMODITIES OF THE OECD COUNCIL AT MINISTERIAL LEVEL,
HELD ITS FIRST MEETING ON 1ST AND 2ND JULY. TWENTY-
THREE MEMBER COUNTRIES, PLUS THE COMMISSION OF THE EURO-
PEAN COMMUNITIES, WERE REPRESENTED. THE GROUP HAD A
WIDE RANGING DISCUSSION BASED ON PAPERS BY THE SECRET-
ARIAT AND THE UNITED KINGDOM. IN THE COURSE OF ITS
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DISCUSSIONS THE GROUP AGREED ON ITS FUTURE WORK PROGRAM,

THE PRINCIPAL ELEMENTS OF WHICH ARE DESCRIBED BELOW.

2. THE COMPREHENSIVE STATEMENT OF PRINCIPLES AND OBJECTIVES WHICH HAD EMERGED FROM THE MEETINGS OF THE MINISTERIAL COUNCIL AND OF THIS COMMITTEE WERE CONSIDERED TO BE SUFFICIENTLY PRECISE TO MAKE ANY FURTHER DETAILED DISCUSSION OF OBJECTIVES AND PRINCIPLES UNNECESSARY AT THIS STAGE. THE GROUP RECOGNIZED ITS OVERALL TASK AS BEING TO SEEK SOLUTIONS TO THE PROBLEMS WHICH THE COMMODITY SECTOR POSES TO THE WORLD ECONOMY, WHILE HAVING PARTICULAR REGARD TO THE PARTICULAR PROBLEMS OF THE DEVELOPING COUNTRIES IN THIS SECTOR. IN THIS CONTEXT IT BECAME CLEAR THAT IT WOULD NOT BE POSSIBLE TO ELABORATE SPECIFIC LINES OF POLICY FOR THE CONSIDERATION OF MEMBER COUNTRIES WITHOUT MORE DETAILED STUDY OF THE ISSUES CONCERNED. FOR THE FORTHCOMING MEETING OF THE UNCTAD COMMITTEE ON COMMODITIES AND OF THE GENERAL ASSEMBLY'S SEVENTH SPECIAL SESSION, IT WOULD BE MOST APPROPRIATE TO DESCRIBE THE CLEAR POLITICAL WILL WHICH NOW EXISTS ON THE PART OF OECD MEMBER COUNTRIES TO APPROACH THESE PROBLEMS IN A PRAGMATIC AND PURPOSEFUL FASHION.

3. THE SPECIFIC TOPICS SET OUT BY THE GROUP FOR FURTHER DETAILED ANALYSIS ARE (WITHOUT IMPLYING RELATIVE PRIORITIES),

- (I) STABILIZATION OF MARKETS OR PRICES,
- (II) STABILIZATION OF EARNINGS, AND
- (III) MEANS OF ENSURING ADEQUATE INVESTMENT IN COMMODITY PRODUCTION.

A FOURTH TOPIC, LINKING ISSUES OF ACCESS TO MARKETS WITH ASSURANCES OF SECURITY OF SUPPLY, MAY ALSO CALL FOR DISCUSSION BY THE GROUP.

AMONG CONCEPTS TOUCHED UPON DURING THE DISCUSSION OF MARKET OR PRICE STABILITY WERE THE POSSIBLE CONTRIBUTIONS OF STOCKS - AND THEIR COSTS, AND THE APPLICABILITY OF COMMODITY AGREEMENTS, FORMAL OR INFORMAL. THERE WAS A LIMITED OFFICIAL USE

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DIFFERENCE OF VIEW WHETHER ANY ACTION SHOULD AIM PRIMARILY AT MARKET OR AT PRICE STABILIZATION. SOME DELEGATIONS CONSIDERED THAT IT WAS DESIRABLE TO AIM AT AS WIDE A COVERAGE OF MARKET STABILIZATION ARRANGEMENTS AS WAS TECHNICALLY FEASIBLE WHILE OTHER DELEGATIONS ARGUED THAT COMMODITY ARRANGEMENTS SHOULD ONLY BE MADE AS A LAST RESORT IN ORDER TO DEAL WITH SPECIFIC PROBLEMS.

IT WAS AGREED THAT ANALYSIS OF THESE ISSUES WOULD HAVE TO BE RELATED TO SPECIFIC COMMODITIES. IT WAS AGREED THAT THE SECRETARIAT WOULD PREPARE PAPERS ON A LIST OF SEVEN COMMODITIES (COPPER, RUBBER, HARD FIBERS, JUTE, TEA, COCOA AND SUGAR), SETTING OUT THE FEATURES OF THE MARKETS AND THE FEASIBILITY OF ACTION. THIS WOULD BE ENTIRELY WITHOUT PREJUDICE TO THE QUESTION WHETHER COMMODITY ARRANGEMENTS SHOULD BE DEVELOPED FOR THESE

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COMMODITIES, NOR DID IT EXCLUDE THE POSSIBILITY THAT OTHERS COULD BE INCLUDED AT A LATER STAGE. THE GENERAL CRITERIA FOR SELECTION WERE EXCESSIVE FLUCTUATIONS OF PRICES AND DEPENDENCE OF THE POOREST DEVELOPING COUNTRIES. IN FUTURE WORK, IT WOULD BE NECESSARY TO DETERMINE WHAT SPECIFIC APPROACHES OR MECHANISMS MIGHT BE USED.

4. ON STABILIZATION OF EARNINGS, THE DISCUSSION DIS-

CLOSED GENERAL INTEREST IN THE POSSIBILITY OF DEVISING MECHANISMS TO INSURE AGAINST ADVERSE CONSEQUENCES FROM FAILURE OR FLUCTUATIONS IN DEVELOPING COUNTRIES' COMMODITY EXPORT TRADE. A MAJORITY OF THE GROUP FELT THAT THE POSSIBILITY OF BUILDING ON THE IMF SYSTEM SHOULD BE GIVEN THOROUGH CONSIDERATION AND AGREED THAT SUCH SCHEMES COULD INCLUDE A CONCESSIONARY ELEMENT FOR THE POOREST PRODUCER COUNTRIES. THE GROUP DID NOT REACH AGREEMENT AS TO WHETHER SUCH SCHEMES SHOULD OPERATE ON THE BASIS OF SELECTION BY COUNTRIES OR BY COMMODITIES. THERE SEEMED LIMITED OFFICIAL USE

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TO BE SOME PREFERENCE FOR A PRODUCT BASED APPROACH. THE VIEWS OF THE ECSS ARE SOUGHT AS TO WHETHER THE GROUP SHOULD GO MORE DEEPLY INTO THIS QUESTION OR WHETHER IT SHOULD BE PASSED TO ANOTHER INTERNATIONAL BODY, POSSIBLY WITH SUGGESTED GUIDELINES FROM THE GROUP.

5. AN INTERESTING BUT PRELIMINARY DISCUSSION ON INVESTMENT REVEALED TWO APPROACHES TO THE PROBLEM. SOME CONSIDERED THAT THE PROBLEM OF INVESTMENT COULD BE SOLVED BY THE EXPECTATION OF ADEQUATE FUTURE PRICES AND THUS BY THE INTRODUCTION OF MARKET STABILIZATION ARRANGEMENTS. OTHERS MAINTAINED THAT THE MAIN PROBLEM WAS THE EXISTENCE, IN MANY COUNTRIES CONCERNED, OF POLITICAL AND SOCIAL CLIMATES WHICH DISCOURAGED FOREIGN PRIVATE INVESTMENT. A POSSIBLE SOLUTION MIGHT BE THE PARTICIPATION OF INTERNATIONAL INSTITUTIONS (E.G. THE IBRD) IN INVESTMENT IN NEW RESOURCES. DELEGATES WERE INVITED TO SUBMIT SPECIFIC PROPOSALS TO THE SECRETARIAT. THE SECRETARIAT WOULD ALSO EXAMINE WHETHER THERE ARE EXISTING RELEVANT STUDIES OF THE POSSIBLE DEGREE OF SHORT-FALL IN INVESTMENT.

THE VIEWS OF THE ECSS ARE SOUGHT AS TO WHETHER THE GROUP SHOULD FURTHER DEVELOP ITS WORK ON THIS SUBJECT OR WHETHER THESE QUESTIONS SHOULD BE REFERRED TO OTHER COMPETENT INTERNATIONAL BODIES SUCH AS THE IBRD.

6. MOST MEMBERS OF THE GROUP CONSIDERED THAT THE ISSUES OF MARKET ACCESS AND SECURITY OF SUPPLY WOULD COME UP FOR CONSIDERATION MAINLY IN THE MTN'S. DISCUSSION IN THE GROUP SHOULD NOT, HOWEVER, BE EXCLUDED, FOR EXAMPLE, WHEN CONSIDERING INTERNATIONAL ARRANGEMENTS FOR SPECIFIC COMMODITIES.

7. OUR DISCUSSIONS HAVE REFLECTED THE COMPLEXITIES OF THE ISSUES IN THE COMMODITIES SECTOR, AND THE DIFFICULTIES OF REACHING EARLY SOLUTIONS TO THEM. ALTHOUGH THE WIDE MANDATE OF THE HLG HAS ASSISTED OUR DELIBERATIONS, IT MAY BE NECESSARY FOR SOME PROBLEMS TO BE EXAMINED IN

SPECIALIZED INSTITUTIONS SUCH AS THE IMF OR IBRD ON THE BASIS OF GUIDELINES PROPOSED BY OECD.

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IT HAS ALSO SEEMED TO US THAT AS A POSSIBLE ADDITIONAL, OR ALTERNATIVE MEASURE, THE HLG MIGHT BE AUTHORIZED TO REMIT ASPECTS OF ITS WORK TO SMALLER AD HOC GROUPS WHO COULD BE AUTHORIZED TO PURSUE THE ASSESSMENT OF INDIVIDUAL ASPECTS OF THE COMMODITIES SECTOR. FOR EXAMPLE, THE STABILIZATION OF EXPORT EARNINGS SUBJECT MAY REQUIRE STUDY BY FINANCIAL OR AID EXPERTS RATHER THAN EXPERTS IN COMMODITIES.

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